

Message Text

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ACTION EB-11

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 2458

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E.O. 11652: N/A

TAGS: ETRN, IT

SUBJECT: CIVAIR - CAPITOL FIFTH FREEDOM CHARTER

REF: STATE 247526

1. ON DEC 20 CIVILAVIA DISAPPROVED CAPITOL INTERNATIONAL AIRWAYS REQUEST FOR TEN (10) CHARTER FLIGHTS MILAN-MEXICO-MILAN. ALITALIA HAD NOTIFIED CIVILAVIA THAT IT HAD AIRCRAFT AVAILABLE AND WISHED TO PERFORM THE CHARTERS. ALITALIA WILL USE 747'S BUT WILL CARY ONLY 252 PASSENGERS -- EQUIVALENT TO CAPITOL'S DL-8-63 CAPACITY -- AT SAME TOTAL PRICE AS ORIGINALLY OFFERED BY CAPITOL.

2. CAPITOL HAD BEEN WORKING ON THIS PACKAGE SINCE JULY. CHARTERER IS SIP (STATE TELEPHONE COMPANY) IN MILAN. ACCORDING TO CAPITOL REP A.L. PITTMAN, ALITALIA ORIGINALLY EXPRESSED INTEREST IN THE CHARTERS BUT LATER REACHED AGREEMENT WITH CAPITOL NOT RPT NOT TO OPPOSE APPLICATION AT CIVILAVIA. (THIS MAY BE BECAUSE ONLY ALIT-ALIA AIRCRAFT AVAILABLE TO PERFORM SUCH CHARTERS DURING JAN-APR PERIOD ARE 747'S. TO MATCH CAPITOL PRICE INVOLVES OPERATING AT A LOSS IF 747'S ARE USED INSTEAD OF DC-8-63'S.) AT LAST MOMENT, PITTMAN SAID, ALITALIA DECIDED TO TAKE CHARTERS. HE SAID CHARTERER HAD REPORTED THAT ALITALIA ARGUMENT USED TO ENCOURAGE SWITCHING

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CHARTER WAS THAT CIVILAVIA WOULD DISAPPROVE CAPITOL APPLICATION BECAUSE AVIATION FUEL SITUATION IN US DISCRIMINATED AGAINST AL-

ITALIA AND, IN RETALIATION, CIVILAVIA WOULD NOT APPROVE CHARTERS BY US CARRIERS.

3. AT REQUEST OF CAPITOL REP AND FOLLOWING TELECON WITH DEPT, EMBOFF DISCUSSED CASE AT LENGTH DEC 20 WITH CIVILAVIA REPS SITAJOLO, LIOI, PILATI AND L'ASSENDRO. CIVILAVIA REPS SAID FUEL SITUATION ARGUMENT TOTALLY IRRELEVANT AND WAS NOT MENTIONED TO THEM BY ALITALIA. IN FACT, FUEL SITUATION FOR ALITALIA IN US APPEARS SATISFACTORY, LIOI NOTED. DISAPPROVAL BASED SOLELY UPON FACT THAT ALITALIA HAD AIRCRAFT AVAILABLE AND WISHED PERFORM CHARTERS FOR THIS FIFTH FREEDOM TRAFFIC.

4. EMBOFF STRESSED THAT APPROVAL OF ALITALIA CHARTERS WHEN IT CLEAR THAT ONLY ABOUT 60 PERCENT OF CAPACITY WOULD BE UTILIZED WAS IRREGULAR. RESPONSE TO EMBOFF'S QUERY WHETHER A US CARRIER CHARTER APPLICATION WOULD BE APPROVED FOR 60 PERCENT LOAD FACTOR WAS DEAFENING SILENCE. AFTER SOME TIME SITAJOLO NOTED 747 WAS ONLY EQUIPMENT AVAILABLE AND ALITALIA THEREFORE HAD NO CHOICE. EMBOFF RESPONDED THAT CIVILAVIA MUST REMEMBER THAT PRESENT ACTION COULD BE CITED IN FUTURE AS PRECEDENT AND THAT CIVILAVIA SHOULD CONSIDER CAREFULLY THE IMPLICATIONS OF THEIR ACTION, ESPECIALLY IN VIEW OF PAST POLICY STRONGLY AGAINST PART CHARTERS.

5. SINCE DENIAL BASED ON AVAILABILITY OF NATIONAL FLAG AIRCRAFT FOR PROPOSED FIFTH FREEDOM FLIGHT, NEITHER EMBASSY NOR CAPITOL REP SEE LEGAL BASIS FOR FURTHER PROTEST OF CAPITOL DISAPPROVAL. TO DO SO MIGHT ENDANGER FUTURE FIFTH FREEDOM CHARTER APPLICATIONS WHICH CIVILAVIA HAS IN PAST APPROVED WHENEVER ALITALIA AIRCRAFT UNAVAILABLE. THERE HAVE BEEN SIGNIFICANT NUMBER OF SUCH CHARTERS BY US CARRIERS, INCLUDING CAPITOL, FROM ITALY TO CANADA AND MEXICO THIS YEAR. CIVILAVIA REPS INDICATED APPROVAL WILL BE FORTHCOMING IN FUTURE WHENEVER ALITALIA UNABLE PROVIDE AIRCRAFT. USG MIGHT, HOWEVER, QUESTION CIVILAVIA APPROVAL OF ALITALIA CHARTER AT 60 PERCENT OF CAPACITY.

6. CIVILAVIA DECISION MADE BY GENERAL MOCI. LOWER RANKING OFFICIALS REPORTEDLY REFUSED TO SIGN OFF ON THIS CASE. CIVILAVIA REPS MENTIONED PARA 3 ABOVE APPEARED EXTREMELY UNCOMFORTABLE IN DEFENDING DECISION.

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7. UNLESS OTHERWISE INSTRUCTED, EMBASSY WILL TAKE NO FURTHER ACTION IN THIS CASE, WHICH AGAIN CLEARLY ILLUSTRATES EXTENT TO WHICH ALITALIA INFLUENCE PERVADES CIVILAVIA.

8. RECENT NEGOTIATIONS BETWEEN PAA, TWA AND ALITALIA WHICH WILL RESULT IN REDUCTION ALITALIA NORTH ATLANTIC FREQUENCIES AND LAYOFF OF 747'S MAY EXPLAIN ALITALIA'S SUDDEN INTEREST IN CHARTERS. FLYING THESE CHARTERS WILL HELP COVER FIXED COSTS IF EVEN NOT MEETING TOTAL COSTS. VOLPE

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